

quality and transparency in the sourcing of products – both important for customer confidence and loyalty – the company’s recent marketing efforts have incentivized a change in consumption habits among Brazilian consumers.

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In the poultry and pork operations, the origin and quality of the raw material are guaranteed through JBS’ integrated relationship with the breeders. The Agriculture team conducts regular visits and audits supplier processes to ensure that the production practices are in line with the criteria required by JBS.

With regard to product quality, JBS has a dedicated area – the Quality Assurance Department – to monitor the entire production process, which is constantly audited by different regulatory agencies and customers in order to maintain the credentials needed to serve all markets.

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### ***Responsibility for the Quality of the Products***

GRI G4 FP12

To ensure the quality, health and sustainability of its entire line of products, JBS has rigorous processes that permeate its entire chain of production. There are more than 30 programs for beef production, the most important of which are described in this chapter, which meet the requirements of the Ministry of Agriculture, Livestock and Supply (MAPA) and which, taken together, are responsible for the production of reliable, safe, healthy and quality foods. In addition, all of the JBS processing units are part of the National Waste Control Plan for Products of Animal Origin (PNCRC), an initiative by the Federal Inspection System (SIF) that collects samples of raw materials used in the industrial processes for human food in order to evaluate food safety items, such as contaminants.

### ***Certifications***

GRI G4- FP5

In the Brazilian cattle operations, JBS has certifications that attest to compliance with international norms (ISO 9001, ISO 14001, BRC, SQMS, among others) at its plants. These certifications involve food safety, animal welfare, the quality management model, the environmental management model, and generally ensure and certify the food safety and quality of JBS’s processes and products. The certified units in 2014 represent, in terms of production volume, 51% of JBS’s total production volume in Brazil.

[Emphasis added].

17. The 2014 Annual Report touted JBS’ adherence to the best practices in corporate governance, stating in pertinent part:

*Transparency & Communication with Stakeholders*

**JBS adheres to the best practices in corporate governance – including transparency and equity in the disclosure of information** – which qualifies the Company to the Novo Mercado segment of the BM&FBovespa.

[Emphasis added].

18. The 2014 Annual Report touted the experienced managers and executives at JBS and their alignment with JBS' values, stating in pertinent part:

*Experienced and Industry-Specialized Management*

JBS has a team of experienced managers with expertise in the market, **focused on growing sales, optimizing resources and increasing operational efficiency**. JBS is highly professionalized and each business unit has its own management. of the strategy for selecting competent executives takes into consideration experience in the sector **and alignment with the company's values**, such as an ownership attitude and a focus on results.

[Emphasis added].

19. The 2014 Annual Report stated that JBS maintains relationships with different governments and makes donations to political parties, stating in pertinent part:

*Government*

GRI G4 SO6

JBS maintains, through local entities and agencies, relationship with the different governments in the countries in which it operates.

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In order to contribute to the political debate and the development of democracy, JBS makes donations to political parties provided that the projects presented by the organizations are in line with the Company's values and beliefs. All of the information regarding the donations made by JBS is available on the website of the Superior Electoral Court.

20. The 2014 Annual Report touted the policies concerning the issues that are relevant to the Company's best practices, stating in pertinent part:

*Policies*

To ensure ethical conduct and integrity in the management of its business, JBS has clear policies regarding the issues relevant to the company's best practices. They are:

***Disclosure Policy for Material Information***

Based on the principles of transparency and fairness in dealing with investors and the capital markets, this policy establishes the use and disclosure of information classified as material facts, as well as rules and guidelines about the use, publication and maintenance of the confidentiality of information that has not been released to the public yet.

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***Integrated Management System Policy (Environment, Quality, and Occupational Health and Safety)***

JBS Beef Division in Brazil instituted a policy that consolidates into a single document JBS' commitments in relation to Quality, the Environment and Occupational Health and Safety, which aims to upgrade and continuously improve its processes.

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***Ethical Conduct***

GRI G4-56

In order to guide the conduct of its team members and suppliers in the business environment, JBS prepared a Manual of Ethical Conduct that addresses issues related to violations, conflicts of interest, third-party contracts, employment practices, receiving gifts, decision making, anti-corruption practices and other sensitive topics.

In 2014, JBS' legal department began the process to reformulate the document to adhere to Brazilian Law 12,846/13 regarding anti-corruption and the acts that regulate it. The new version of the Ethics Manual is scheduled for release in 2015.

21. On June 10, 2016, JBS issued its Annual Report for the fiscal year ended December 31, 2015 entitled "Annual and Sustainability Report 2015," (the "2015 Annual Report"). The 2015 Annual Report contained a letter from Defendant Batista, stating in pertinent part:

We are confident in our global food production platform and in our highly qualified team to lead JBS in our strategy. **We will remain focused on operational excellence and food safety, while we base our business in the highest quality standards and service level to meet and exceed our customer's and consumer's requirements.**

[Emphasis added].

22. The 2015 Annual Report contained a letter from Defendant Tomazoni, stating in pertinent part:

**At JBS, the quest for quality is more than a strategy. It is part of the Company's culture.** We believe that the success of our business is directly related to our ability to produce and deliver the highest quality products, managing the business in a sustainable manner and providing clients and consumers with superior products and services.

Earning recognition for the quality of our products is a journey, and we have made significant progress. Again, people are critical in this context. We believe that the quality of what we produce and the excellence of our services is a daily responsibility for all of those who work with us. The determination and persistence of each JBS employee, in every area of business or place in the world, strengthen our values and beliefs daily.

[Emphasis added].

23. The 2015 Annual Report touted the quality of JBS' products and operations, stating in pertinent part:

In order to achieve JBS's goal of strengthening ties with clients and consumers through a portfolio of brands and value-added products, the Company's **operations are focused on quality. And quality, for JBS, goes beyond the product.**

**Quality involves operating in accordance with the highest social, economic and environmental standards, having the best team of employees, with the right people in the right positions, cutting-edge factories and partnerships with its stakeholders. JBS's main purpose is to provide quality to its clients and consumers.**

[Emphasis added.]

24. The 2015 Annual Report touted the ethics and integrity of JBS, stating in pertinent part:

***Ethics and Integrity***  
GRI G4-56, G4-DMA



**Trust is what guides JBS in all of its relations with stakeholders. It therefore pervades the Company's daily activities.**

In line with this value and with the aim of reinforcing conduct guidelines, improving and standardizing certain procedures and implementing risk prevention initiatives where needed, in 2015 the Company created the Corporate Compliance Office. Reporting directly to the Institutional Relations Department, the new structure serves all JBS Group businesses and is responsible for identifying, assessing and monitoring risks, as well as developing training and communication programs for all employees and suppliers.

One of the new area's first initiatives was the reissue of JBS's Code of Ethics. The document, which is intended both for the Company's employees and suppliers, established twelve guidelines governing expected conduct in regard to issues related to security, sustainability, anti-corruption practices, money laundering and conflicts of interest. The document, together with its English and Spanish versions, is already available on the Company's intranet.

[Emphasis added].

25. The 2015 Annual Report touted the quality of JBS' products, stating in pertinent part:

JBS Foods has based its activities on the development of higher value-added products, focusing on quality and working closely with customers and suppliers.

\* \* \*

Adopts strict quality standards in order to meet the international standards required by customers in Europe, Asia, the Middle East, Oceania, Africa and the Americas, which are its export markets. These same requirements are in place for the production destined for consumers in Brazil.

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## **PRODUCT INTEGRITY**

### **GRI G4-DMA**

JBS works to ensure the quality and integrity of its products. To ensure quality product reaches the tables of consumers, **there is an extensive effort made with regard to food quality and safety**, value chain management (including the responsible purchase of raw materials), supplier partnerships and team member training. **Care is also taken to ensure that operations are in line with regulatory requirements and applicable certifications.**

**All products, in all business areas, receive appropriate packaging, and are transported and distributed in accordance with the best practices adopted by the industry.** One of the highlights in Brazil was the inauguration of the JBS Foods Distribution Center (DC), in Fortaleza (Ceará), the final piece in the renovation of the Company's distribution network. There are now 15 DCs serving as a support base for the commercial area, all standardized according to the definitions of the Pillars of Excellence, which are essential to ensuring the best customer service.

**Throughout 2015, all of the JBS units carried out numerous actions focused on the Company's value chain, based on corporate guidelines that consolidated the culture of quality.**

The Company meets the different labeling requirements in 100% of its products, as determined by the laws of the markets where it operates. The labels have information regarding composition, the nutritional table, name, net weight, storage conditions, manufacturing date, expiration date and manufacturing unit.

In total, 100% of the Company's product labels in Brazil have the Federal Inspection Service (SIF) seal of the Ministry of Agriculture, Livestock and Food Supply (MAPA). In the United States, all products bear the inspection seal of the United States Department of Agriculture, Food Safety and Inspection Service (USDA, FSIS). Some products also present information regarding preparation and consumption, as well as offering different recipes for the preparation of the product and its accompaniments. GRI G4-PR3

Furthermore, the Company lists the ingredients and additives used, specifies those that may contain allergens and specifies any fortification of vitamins, minerals, fiber, etc. GRI FP7

**The Company does not sell products prohibited in the markets in which it operates and adheres to their respective standards and best practices.** GRI G4-PR6

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JBS is committed to supplying its clients and consumers, in all markets in which it operates, with the highest quality products. All of the purchases made in 2015 are in accordance with the procurement policies adopted by the respective JBS business areas.

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### **c. Food Quality and Safety** GRI G4-DMA

**Quality is an obsession for JBS. It is a fundamental value that permeates the Company's culture and is present in all of its production processes.**

**JBS BEEF (BRAZIL)**

GRI G4-DMA

This business unit includes a structure with 13 in-house laboratories, developing the necessary microbiological analyses to provide food security indicators, ensuring their quality. In 2015, the Company initiated investments to upgrade and standardize the laboratories in terms of layout, equipment and software. With the changes, the laboratories now have structure to issue results in 24 hours, halving the time previously spent.

With this, the Company gained agility in obtaining results and greater efficiency in decision making. Three new laboratories are scheduled to be built in 2016. This structure will cover nearly 100% of the national territory.

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**JBS FOODS (BRAZIL)**

At JBS Foods, the quality and health of the poultry and pork is the result of the integrated management of the supply chain. There is a strict management system that covers all production stages, from the selection of the genetics of animals, through processing, to the transportation of goods to the final point of sale. The Company works in partnership with integrated producers, which guarantees the origin of the raw material of the poultry and pork that it sends to market. Thus, the Company has more control over the health and nutritional conditions of the animals, ensuring the quality, safety and cost efficiency of products. All of the businesses of JBS Foods undergo reviews on criteria such as the health and safety of the products and services. GRI G4-DMA, GRI G4-PR1

The JBS Foods Quality System includes the best and most current concepts defined by national and international organizations. To help disseminate these concepts, the Company adheres to guidelines established in its "Quality Book," a set of 15 management tools aimed at planning, execution, control and improvement, as well as defining the responsibilities and authorities of each link in the production chain. Based on this material, JBS Foods held training cycles in the months of July and August 2015, training 150 team members who will become ambassadors of this expertise.

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The Company also has laboratories with facilities for the analysis of food, and all the results of these analyses are entered into the Laboratory Information Management System (LIMS). Through this system, a database is generated with information from across the enterprise on performance and the compliance with established standards, which is updated periodically. With this, it is possible to



determine the results for each unit - in relation to products, processes, microbiological and physicochemical analyses - as well as the monthly evolution of the results. This practice is in line with the commitment of JBS Foods to validate its processes to provide a high level of product quality and safety through all that laboratories can measure.

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#### **d. Certifications**

GRI FP2, GRI FP5

The various units of JBS Beef (Brazil) underwent 178 audits in 2015 in order to maintain and gain certifications to allow products to be exported to various markets. The plants obtained 97% approval and have been audited according to international standards such as BRC Global Standards, ISO9001, ISO17025, and audits by the Ministry of Agriculture of Brazil, clients and markets (health missions from other countries). GRI G4-DMA, GRI G4-PR1, GRI FP5

In Brazil, all slaughterhouses must submit to some form of sanitary inspection, whether at the municipal, state or federal level. In the case of JBS, all of the Company's units are under the Federal Inspection Service (SIF) of the Brazilian Ministry of Agriculture, enabling the Company to export from any of its units and market products with the highest level of food safety on the domestic market.

[Emphasis added].

26. The 2015 Annual Report touted JBS' commitment to adhering to the highest standards of integrity, ethics, and transparency when interacting with government officials and public officials, stating in pertinent part:

#### **c. Governments**

GRI G4-SO6

**JBS is committed to adhering to the highest standards of integrity, ethics and transparency when interacting with government officials and public officials.**

To guide the conduct of team members and outsourced consultants who interact with the government in the performance of their duties, the Policy on Relations with Government Entities and Public Officials was published in Brazil in 2015. The document, which is applicable to operations in the country, establishes criteria and rules of conduct in the relations of JBS companies with government and/or public officials for meetings, the delivery and receipt of documents and other contact necessary to obtain licenses and permits, present claims, participate in bids and discuss matters relating to the JBS operations that depend on government action.